HUNTER DOUGLAS INDUSTRIES BV & ORS.

v.

LIM HONG JOO SDN. BHD & JOHNNY MAING & ORS.

HIGH COURT BORNEO, KUCHING
HAIDAR MOHD NOOR J
[SUIT NO. KG. 204 OF 1989]
13 NOVEMBER 1990

TORT: *Infringement and passing-off - Registered design - Breach of agreement - Similarity in roofing tile - Principles on which interim injunction will be granted - Serious question to be tried - Damages - Balance of convenience - Special factors.*

The first plaintiff P1 is the registered proprietor and owner of copyright in UK of a registered design No. 1,001,901 in respect of a roofing tile known as Luxalon, which is currently in force. The second plaintiff P2 was, until January 1985, the licensee of P1 in Malaysia. The third plaintiff P3 is a wholly owned subsidiary of P2 and until July 1985, carried on the advertising and promotion of Luxalon in Malaysia. The fourth plaintiff P4 is a Kuching based company which has, since July 1985, exercised the design rights of P1 in Malaysia and the advertising and promotion activities of P3.

The first to fourth defendants D1-D4 are companies involved in manufacturing and marketing activities and the fifth to eleventh defendants, D5-D11, are directors of D1-D4; D5 is the principal owner of D3.

D1-D4 manufacture, market and sell a roofing tile known as Amstar. The plaintiffs claim that these activities are an infringement of P1's U.K. registered design No. 1 and that it amounts to passing-off by the defendants of their roofing tile as that of the plaintiffs; the plaintiffs also allege that D5-D11, as directors of the corporate defendants, D1-D4, have aided and abetted the actions of the corporate defendants and that some of the defendants have breached a settlement agreement entered into in settlement of earlier proceedings in this Court in relation to the same activities of the defendants of a similar roofing tile known as Yodo tile.

This is an application by the plaintiffs for interim injunction to restrain the defendants from any of the allegedly infringing acts pending further order of this Court or until trial on the substantive issues.

Held:

[1] The questions as to whether infringement and passing-off had been established and whether the settlement agreement had been breached are questions which need further detailed argument and consideration at the trial.

[2] (a) Based on the affidavit evidence, the plaintiffs are in a relatively better financial position to meet any damages suffered by the defendants in the event that the defendants succeed at the trial therefore an injunction should not be refused on this ground.

(b) Therefore, damages would not be an adequate remedy for the plaintiffs but would be an adequate remedy for the defendants having regard to the fact that Luxalon is an established article in the market and Amstar has just entered the market.

[3] The balance of convenience lies heavily in favour of the plaintiff as:

(a) The plaintiffs' tile, Luxalon was in the market much earlier than the defendants' Amstar.

(b) It would appear that the defendants' Amstar is inferior to the plaintiffs' Luxalon from the tests carried out - although this remains unrebutted for the present moment; therefore untold damages may incur to the plaintiffs' reputation bearing in mind that it may take sometime for the trial of this case to proceed.

(c) The injunctive relief sought is in respect of Amstar only which is new to the market and the defendants have other long established products, for example Amcan.

[4] On the facts of this case, the delay from the time of knowledge of the existence of Amstar to the date of filing of the action was not unreasonable as the investigation by the plaintiffs necessarily took some time.

[5] The defendants allegation that the action was brought to derail the defendants' sales in Brunei cannot be substantiated as the defendant's contract in Brunei is for Amcan, not Amstar.

[Interim injunction granted.]

Cases referred to:
American Cyanamid Co. v. Ethicon Limited [1975] AC 396
J.T. Stratford & Son v. Lindley [1965] AC 269
Mothercare Limited v. Robson Books Limited [1979] FSR 474
Professor Dr. A. Kahar Bador & Ors. v. N. Krishnan & Ors. [1983] 1 MLJP 409
Alfred Dunhill Limited v. Simoptic SA [1979] FSRP 373
Home Box Office Inc. v. Channel 5 Home Box Office Ltd. [1982] FSRP 449
Evans Marshall & Co. Ltd. v. Bertola SA [1973] 1 All ERP 1005
Evrein Warmink v. V.J. Townshand & Sons (Hull) Ltd; 'The Advocate case' [1979] AC 731
Metric Resources Corporation v. Leasemetrix Ltd. [1979] FSR 571

Other sources referred to:
Copyright in Industrial Designs Russell-Clarke, 5th Edn., at p. 81

For the Plaintiff - John Katz, Q.C. (CJ Eng with him); M/s. CJ Eng Advocates
For the Defendants - Julian Jeffs, Q.C. (Joseph Lim with him); M/s. Loa & Lim Advocates

JUDGMENT

Haidar Mohd. Noor J:

This suit is brought by a number of plaintiffs against a number of defendants seeking injunctive relief, delivery up and an inquiry as to damages. From the statement of claim filed by the plaintiffs, there are three causes of action and they are:

(a) Design infringement. (paras. 1-27)

(b) Passing off. (paras. 28-32)

(c) Breach of settlement agreement (paras. 33-38)

Presently before the Court is an application for interim injunction (encl. 5) to restrain the defendants from any of the allegedly infringing acts pending further order of this Court or until trial on the substantive issues. The plaintiffs have given an undertaking as to damages in support of the application for interim injunction.

The Parties

The first plaintiff (HD1) is the registered proprietor and owner of copyright in UK registered design No. 1,001,901 in respect of a roofing tile known as Luxalon. The said registered design is currently in force. The second plaintiff (HDA) was until January 1985 the licensee of HD1 for the purposes of exercising any design rights in Malaysia. The third plaintiff (HDM) is a wholly owned subsidiary of HDA and down to July 1985 carried on the advertising and promotion of the roofing tile, Luxalon, in Malaysia. The fourth plaintiff (MRH) is a Kuching based company which since July 1985 has exercised the design rights of HD1 in Malaysia and also the advertising and promotion activities previously carried on in the region by HDM.

It would appear that the exact relationship between all 11 defendants is uncertain with respect to their manufacturing and marketing activities. However, there are a number of interlocking directorships. The three companies named as defendants are Lim Hong Joo Sdn. Bhd. (LHJ), the second defendant, Amcan Sdn. Bhd. (ASB), the third defendant and Steelon (Malaysia) Sdn. Bhd. (SSB), the fourth defendant. From the statements of defence and the various affidavits filed, the interlocking directorships of the corporate defendants indicate as follows:

LHJ	ASB	SSB
Lim Hong Joo (5th defendant)	Lim Hong Joo (5th defendant)	Lim San Choon (6th defendant)
Lim San Choon (6th defendant)	Lim San Choon (6th defendant)	Lim Sang Hee (7th defendant)
Lim Sang Hee (7th defendant)	Sim Sang Hee (7th defendant)	Wong Mui Fong (9th defendant)
Sim Lee Joo (8th defendant)	Sim Lee Joo (8th defendant)	
	Wong Mui Fong (9th defendant)	
	Lim Sang Chuan (10th defendant)	
	Lim San Hock (11th defendant)	

According to para. 25 of the statement of claim the personal defendants, i.e. the fifth, sixth, seventh, eighth, ninth, tenth and eleventh defendants are all directors of the corporate defendants i.e. LHJ, ASB and SSB and this is admitted by para. 8 of the statement of defence. Hence, irrespective of evidence in the records of the Registrar of Companies, all the personal defendants admitted that they are directors of all the corporate defendants. It would appear that LHJ is the principal owner of ASB.

It is alleged as per paras. 25 and 26 of the statement of claim that the personal defendants, as directors of the corporate defendants, have controlled and dictated the activities of the corporate defendants and are allegedly liable for causing or aiding and abetting the actions of the corporate defendants. It is also alleged that because of the wordings in the settlement agreement in suit KG. 242 of 1984 it effectively binds all the existing defendants.

The various claims centred on the activities of the defendants in manufacturing, marketing and offering for sale a roofing tile known as Amstar tile which the plaintiffs claim is an infringement of HD1's United Kingdom registered design No. 1,001,901 and also amounts to

a a passing off by the defendants of their roofing tile as and for that of the plaintiffs. It is also alleged by the plaintiffs that some of the defendants have breached a settlement agreement entered into in settlement of earlier proceeding in this Court, the proceeding arising out of the manufacture, marketing and offering for sale by some of the defendants to this proceeding of a similar roofing tile known as Yodo tile.

b Altogether 136 affidavits were filed by both parties, some of them bordering on hearsay and a number of them are in conflict in respect of the evidence relied by both parties on the three issues before the Court. Bearing in mind that the present application is for an interim injunction by the plaintiffs, the Court in exercise of its discretion whether to grant it or otherwise will adopt the guidelines set out by Lord Diplock in *American Cyanamid Co. v. Ethicon Limited* [1975] AC 396.

c The guidelines established by *American Cynamid* are:

1. Is there a serious question to be tried?
2. Are damages an adequate remedy?
3. Where does the 'balance of convenience' lie?
4. Are there any "special factors"?

d

1. *Is there a serious question to be tried?*

That the Court must be satisfied that there is a serious question to be tried must not be read in the context of "a probability" or "a *prima facie* case" as previously held by the English authorities (see *J.T. Stratford & Son v. Lindley* [1965] AC 269) as the *American Cyanamid* case said at p. 407

e

> The use of such expressions as "a probability", "a *prima facie* case," or "a strong *prima facie* case" in the context of the exercise of a discretionary power to grant an interlocutory injunction leads to confusion as to the object sought to be achieved by this form of temporary relief. The Court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words there is a serious question to be tried.

f On the criteria of "frivolous or vexatious" I think it is best answered by Sir Robert Megarry VC in *Mothercare Limited v. Robson Books Limited* [1979] FSR at p. 474.

> All that has to be seen is whether the plaintiff has prospects of success which, in substance and reality, exist. Odds against success no longer defeat the plaintiff, unless they are so long that the plaintiff can have no expectation of success, but only a hope.

g Hashim Yeop A. Sani J (as he then was) in *Professor Dr. A. Kahar Bador & Ors. v. N. Krishnan & Ors.* [1983] 1 MLJ at p. 409 had this to say in respect of an application for an interlocutory injunction:

> An interlocutory injunction is merely provisional in nature, and does not conclude a right. It is said that a person who comes to Court for an interlocutory injunction is not required to make out a case which will entitle him at all events to relief at the hearing. It is enough if he can show that he has a fair question to raise as to the existence of the right which he alleges.
h It can be seen that in an application for an interlocutory injunction the Court interferes on the assumption that the party who seeks its interference has the legal right which he asserts.

In the circumstances therefore

> It is irrelevant whether the Court thinks that the plaintiffs' chances of success in establishing liability are 90% or 20%

i per Megarry LJ in *Alfred Dunhill Limited v. Simoptic SA* [1979] FSR at p. 373.

In the present case the first cause of action raised against the defendants is for infringement of HD1's registered design 1001901 for a roofing tile. According to Russell-Clarke's "*Copyright in Industrial Designs*", 5th Edn., at p. 81, three tests only have to be considered in judging whether or not there has been an infringement of the registered design. These are:

(a) The nature of the act complained of.

(b) Whether the article complained of embodies a design not substantially different from the registered design.

(c) Whether the article complained of is an article in respect of which the design is registered.

In considering the first test there must be some act by the defendants that constitutes an infringement. The restricted acts for the present purposes are any of the following:

(a) Manufacture for sale or for use for the purposes of any trade or business.

(b) Selling, hiring or offering for sale or hire.

(c) Making anything for enabling any such article to be made, e.g. a die-set.

The first two of these would appear to be more relevant for present purposes.

In my view, there can be no dispute in the present case that the actions of the defendants pass the first test in that they are clearly making for sale or for the purposes of trade or business or alternatively are selling or offering for sale their product "Amstar".

In respect of the second test it must be shown that the alleged infringing article embodies a design not substantially different from the registered design. According to Russell-Clarke at p. 83, the question of whether the alleged infringing design is or is not an infringement of the registered design is a question of fact to be decided by the eye, the function or object which the article may fulfil being immaterial. Here we have the conflicting evidence of the experts from both parties where the defendants alleged that their article 'Amstar' is registered for panel and not roofing tile and therefore the issue of interpretations of the various provisions of the (UK) Registered Designs Act 1949 will be relevant. Such issue will need further detailed argument and mature considerations and therefore it should be considered at the trial and not for the present interlocutory proceedings. Suffice for me to say for the present moment without determining the issue of infringement that looking at the articles in question of the plaintiffs and the defendants there would appear to be that many, if not all, of the essential features of the design of the defendants' Amstar are similar to plaintiffs' Luxalon, thereby giving rise to the fact that the plaintiffs have a fair question to raise as to the existence of the right which the plaintiffs assert. Further, the question of whether the test of the eye in this case should be at a distance or close range having regard to the situation in Sarawak will be a matter of oral evidence and not purely affidavit evidence especially when such evidence appear to be in conflict. Though ultimately it is the test of the eye of the Court that counts, I am of the opinion that such test is better determined after considering the oral evidence of the consumers in view of the conflicting affidavit evidence.

The third test is that the infringing article must be an article in respect of which the design is registered. The defendants argue that their 'Amstar' article is not for a roofing tile but for a panel but the plaintiffs assert that by the defendants own brochure it would seem abundantly clear that the 'Amstar' manufactured and sold by the defendants is a roofing tile and appears to serve no other function. Again I would reiterate that this is a matter for oral evidence, detailed argument and mature considerations at the trial.

In respect of the second cause of action, that is, passing off the *American Cyanamid* principles are well accepted in such cases (see *Home Box Office Inc. v. Channel 5 Home Box Office Ltd.* [1982] FSR 449 and *Metric Resources Corporation v. Leasemetrix Ltd.* [1979] FSR 571).

In *Evrein Warmink v. V.J. Townshand & Sons (Hull) Ltd.* [1979] AC 731 (commonly known as "the *Advocate* case"). Lord Diplock held that the following were the necessary characteristics to make out a cause of action for passing off:

(a) A misrepresentation.

(b) By a trader in the cause of a trade.

(c) To prospective customers or ultimate customers of foods or services supplied by him.

(d) Which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence).

(e) Which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *qua timet* action) will probably do so.

There seem to be disputed facts on the issue of misrepresentation as can be seen from the affidavits filed. The defendants asserted that the evidence does not establish anything which can remotely be described as passing off. Without going into the details, in my view, the disputed facts and the law on passing off need to be investigated and considered more properly at the trial rather than at this stage of the proceedings.

I next have to consider the third cause of action, that is, breach of the settlement agreement (Exh. EL1). The settlement agreement entered into between HD1, HDA and HDM and the first, second, third and fourth defendants to this proceeding, as parties to the agreement, is a contract, the existence of which is not disputed by those defendants. Apart from it being a contract, the settlement agreement also contains undertakings by the defendants save the ninth, tenth and eleventh defendants that they accepted, so it seems, the validity of HD1's registered design 1001901 and would not contest its validity.

The defendants submitted that if they have not infringed the plaintiffs' registered design they cannot have breached the settlement agreement. The plaintiffs submitted that this is quite wrong as the test is not the same and the terms are wide as by clause 4(b) the test is whether the defendants are selling roofing tiles that are "of an appearance and get up deceptively similar to or being a colourable imitation or resemblance of the get up" of the plaintiffs' tile. This issue, in my view, is best investigated at the trial rather than at the present stage of the proceedings based purely on affidavit evidence.

There appears to be conflicting evidence between the witnesses of both parties in respect of what transpired in the matter of the trap order made by the plaintiffs. As such this issue of the trap order i.e. whether it was properly made or not is best be determined at the trial where the oral evidence will help the Court to determine this issue.

It is clear to my mind that there are conflicts of evidence in the various affidavits filed as to the facts on which the claims of either party may ultimately depend and equally clear also are difficult questions of law which call for detailed argument and mature considerations. As Lord Diplock rightly said in *American Cyanamid* at p. 407 "these are matters to be dealt with at the trial."

Are Damages An Adequate Remedy?

In considering whether damages are an adequate remedy for a plaintiff the fundamental principle is:

> Is it just, in all the circumstances, that a plaintiff should be confined to his remedy in damages?

per Sachs LJ in *Evans Marshall & Co. Ltd. v. Bertola SA* [1973] 1 All ER at p. 1005. If the plaintiffs would be adequately compensated for their loss by an award of damages and the defendants are in a financial position to pay, no interlocutory injunction would normally be granted however strong may be the plaintiffs' claim (*American Cyanamid* at p. 408, *supra*). In that event an assessment of the relative financial position of the plaintiffs and the defendants from the evidence disclosed is required and the obvious question that must be asked - "are the defendants good for the money" per Sachs LJ in *Evans Marshall* at p. 1006, *supra.*

If the plaintiffs would not be adequately compensated by an award of damages the Court must then consider whether should the defendants succeed at the trial they would be adequately compensated by the plaintiffs' undertaking as to damages. If damages are an adequate remedy for the defendants and the plaintiffs are in a financial position to pay them, injunctive relief should not be refused on this ground. (*American Cyanamid* at p. 408, *supra*). It is well established that damages in passing off cases are hard to assess - (see *Mothercare Limited* at p. 475, *supra*).

Looking at the affidavit evidence of the financial positions of both parties I would say that the plaintiffs are in a relatively better financial position to meet any damages suffered by the defendants in the event that the defendants succeed at the trial and an injunction should not be refused on this ground. The defendants at the last minute tried to show their financial ability to meet the compensation by adducing oral evidence which in my view, is really of not much assistance to assess their financial capability in the event the plaintiffs succeed. It would appear to me that damages would not be an adequate remedy for the plaintiffs but would be an adequate remedy for the defendants having regard to the fact that 'Luxalon' is an established article in the market and 'Amstar' has just entered the market and further damages are hard to assess in respect of passing off cases.

Balance of Convenience

In my view the balance of convenience lies heavily in favour of the plaintiffs justifying the injunctive relief. I say so for the following reasons:

(a) The plaintiffs' tile, 'Luxalon' is in the market much earlier than the defendants' Amstar.

(b) It would appear that the defendants' Amstar is inferior to the plaintiffs' 'Luxalon' from the tests carried out and remain unrebutted for the present moment and also from my own observation of the two products and hence the untold damages that may incur to the plaintiffs' reputation bearing in mind that it may take some time for the trial of this case to proceed.

(c) The injunctive relief sought is in respect of 'Amstar' only which is new to the market and the defendants have other long established products, for example Amcan.

Other Factors

I now come to the issue of delay raised by the defendants. On this issue of delay, I would say that it depends very much on the circumstances and the facts of each case and in my view, there cannot be any definite period set to determine delay. There seem to be a bit of confusion over the date when the plaintiffs knew of the defendants' product 'Amstar'. The plaintiffs claimed that they knew of 'Amstar' only in January 1989 through the advertisement in the **Borneo Post** newspaper and carried out the trap order in October 1989 and this action was subsequently filed in December 1989. According to the plaintiffs' Counsel it takes time for the investigation and is not easy and in the circumstances the delay is not unreasonable. I agree.

The defendants further alleged that this action was brought to derail the defendants' sales in Brunei. I do not know how this allegation can be brought about when I observe that the defendants' contract in Brunei is for 'Amcan' and not 'Amstar' and the defendants in my view, are barking up the wrong tree.

As for the unemployment issue, it is evidently clear that the defendants are not surviving only on 'Amstar' product and in fact they have many other products and 'Amcam' clearly is their flagship and not Amstar. Therefore the argument that if the injunctive relief were to be granted it will cause unemployment does not seem to be right.

In the circumstances of the case I should exercise my discretion by granting the interim injunction to the plaintiffs as prayed and costs of the application shall be in the cause.

Also found at [1991] 1 CLJ 750